

Message Text

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ACTION EUR-12

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TAGS: ECON, EFIN, PO

SUBJECT: REACTION TO PRIME MINISTER'S SPEECH

REF: LISBON 6203 (DTG 101344Z SEP 76)

SUMMARY: REACTION TO PRIME MINISTER SOARES'S SPEECH HAS RANGED FROM SHARP CRITICISM BY THE COMMUNISTS TO TENTATIVE APPROVAL FROM THE DEMOCRATIC OPPOSITION PARTIES. THE SPEECH REPRESENTS A FUNDAMENTAL POLITICAL OPTION IN FAVOR OF TOUGH POLICES ESSENTIAL TO ECONOMIC RECOVERY. SOARES HAS THROWN DOWN THE LIMITED OFFICIAL USE

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GAUNTLET TO THE PCP. THE SPEECH CLOSES THE DOOR TO

CONTINUING COMMUNIST CALLS FOR A "MAJORITY OF THE LEFT."
ALTHOUGH THE DEMOCRATIC OPPOSITION PARTIES, LIKE US, WOULD
HAVE PREFERRED THE ANNOUNCEMENT OF MORE SPECIFIC MEASURES,
THEY SEEM TO REALIZE THAT POLITICS REMAINS THE ART OF THE
POSSIBLE. END SUMMARY.

1. REACTION TO PRIME MINISTER'S SPEECH HAS RANGED FROM
SHARP CRITICISM ON THE LEFT TO TENTATIVE ACCEPTANCE FROM
THE CENTER AND CENTER/RIGHT. FOLLOWING SUMMARIZES
REACTION OF KEY ELEMENTS.

2. COMMUNIST PARTY REACTS SHARPLY: THE PCP OPENLY
AND PROMPTLY ATTACKED SOARES' SPEECH: "SOARES THREATENS
WORKERS", ACCUSED FRONT-PAGE HEADLINE OF SEPTEMBER 10 PRO-
COMMUNIST DAILY "O DIARIO". HIS SPEECH, STATED
ONE PCP COMMUNIQUE, REVEALED "GREAT HOSTILITY" AGAINST
THE WORKERS AND "WAS CLEAR INDICATION THAT THE GOVERNMENT
FOLLOWS RIGHT-WING POLICIES." SOARES(PROGRAM THREATENS
"THE CONQUESTS OF THE REVOLUTION." PCP LEADER ALVARO
CUNHAL, IN AN INTERVIEW TO A BULGARIAN COMMUNIST
PARTY NEWSPAPER, CHARGED THAT SOARES WAS ATTEMPTING TO
IMPROVE THE NATION'S ECONOMIC SITUATION BY "INTENSIFYING
THE EXPLOITATION OF THE WORKERS, RETURNING CONFISCATED
PROPERTY TO THE GREAT CAPITALISTS AND LANDOWNERS, AND
STRENGTHENING PORTUGAL'S DEPENDENT RELATIONS WITH
IMPERIALISM." THOUGH THE PCP "WILL NOT FOLLOW A SYSTEMATIC
POLICY OF OBSTRUCTION AND OPPOSITION," HE FORESAW
"MASSIVE RESISTANCE ACTIONS AGAINST EACH AND EVERY
ATTEMPT, WHETHER OPEN OR CAMOUFLAGED, TO RESTRICT OR
TOTALLY LIQUIDATE THE CONQUESTS OF THE REVOLUTION."

3. INTERSINDICAL CRITICAL: COMMUNIST-DOMINATED INTER-
SINDICAL CRITICIZED THE PRIME MINISTER'S "AGGRESSIVE
LANGUAGE AGAINST THE WORKERS" AND THE "REVERENCE DISPLAYED
FOR INTERNAL AND INTERNATIONAL CAPITAL." INTERSINDICAL
OPPOSES THE GOVERNMENT'S PROPOSALS" TO DEPRIVE THE WORK-
ERS OF THEIR ECONOMIC AND SOCIAL CONQUESTS."

4. FAR LEFT: FAR LEFT REACTION WAS EVEN MORE HOSTILE
AND MORE STRIDENT THAN THE PCP'S. GDUP LEADER LUIS
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MOITA STATED THAT THE SPEECH "ABSOLUTELY CONFIRMED" THAT
THE GOVERNMENT'S POLICY WAS ONE OF "CAPITALIST RECUPERA-
TION." THE PRP - IN A COMMUNIQUE ENTITLED "MARIO SOARES -
PREFACE TO FREITAS DO AMARAL AND TRAMPOLINE FOR KAULZA
DE ARRIAGA" - CHARGED THAT THE PS GOVERNMENT IS "MORE
AND MORE " TAKING ON THE ASPECT "OF A SPEAR, SERVING THE
BOURGEOISIE AND CAPITALISM, AND AIMED AT THE WORKERS." THE LCI
STATEMENT ECHOES THE PRP'S SENTIMENTS.

5. PPD DESCRIBES SPEECH AS POSITIVE AND COURAGEOUS:

PPD STATEMENT OF SEPTEMBER 10 PRAISED PRIME MINISTER'S SPEECH FOR ITS CLEAR DESCRIPTION OF THE SERIOUS ECONOMIC SITUATION. IT PRAISED HIS FIRM COMMITMENT TO DEMOCRATIC PRINCIPLES, BUT CRITICIZED SEVERAL OF SOARES' PROPOSALS AS PARTIAL MEASURES OF DOUBTFUL EFFECTIVENESS, SUCH AS PRICE INCREASES IN PUBLIC TRANSPORTATION.

6. MEASURED PRAISE FROM CDS: THE CDS ON SEPTEMBER 10 DESCRIBED AS POSITIVE THE PRIME MINISTER'S ANNOUNCED INTENTION TO DEVOTE PRIMARY ATTENTION TO ECONOMIC RECOVERY. WHILE IT REGARDS THE SPEECH'S REALISTIC ORIENTATION TO BE CONSISTENT WITH THE CDS'S OWN VIEWS, THE CENTER DEMOCRATS COMPLAINED THAT SOARES DID NOT DETAIL THE DRASTIC MEASURES NECESSARY. PRIVATELY, CDS SECRETARY GEN BASILIO HORTA TOLD THE AMBASSADOR THAT SOARES' SPEECH HAD BEEN MOST COURAGEOUS. ANOTHER FREQUENT CRITIC OF SOARES, CDS LEADER FROM GUARDA, CARLOS FERNANDES, PRIVATELY EXPRESSED GRUDGING ADMIRATION FOR THE PRIME MINISTER'S REMARKS.

7. PRIVATE MANAGERS STILL SKEPTICAL: QUICK

SURVEY OF FOREIGN MANAGERS INDICATES THAT THEY REGARD THE TONE AND POLICY STATEMENTS TO HAVE BEEN EXCELLENT, BUT THEY REMAIN SKEPTICAL. THEY QUESTION WHETHER SOARES HAS ENOUGH POWER TO IMPLEMENT AUSTERITY MEASURES IN VIEW OF APPARENT CONFLICTING VIEWS IN HIS GOVERNMENT,. E.G. THE LABOR MINISTRY. THEY NOTE, HOWEVER, THAT THEIR PORTUGUESE MIDDLE-MANAGERS ARE ENCOURAGED AT PROSPECT OF BEING ABLE TO DIRECT THEIR WORKERS. FOR THEIR PART, WORKERS HAVE BEEN DISCUSSING AND SEVERELY COMPLAINING ABOUT SOME OF THE ANNOUNCED POLICIES, LIMITED OFFICIAL USE

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ESPECIALLY FORCED SAVINGS PLAN.

8. COMMENT: SOARES' SPEECH REPRESENTS A FUNDAMENTAL POLITICAL OPTION IN FAVOR OF TOUGH POLICIES ESSENTIAL TO ECONOMIC RECOVERY. HE HAS THROWN DOWN THE GAUNTLET TO THE PCP BY PUTTING THEM ON NOTICE THAT HE INTENDS TO TAKE SWEEPING ACTIONS IN THE AGRARIAN SECTOR, AMONG NATIONALIZED ENTERPRISES, AND IN THE TRADE UNION FIELD -- PRECISELY THE AREAS WHICH THE COMMUNISTS HAVE ESTABLISHED AS TOUCHSTONES OF THE GOVERNMENT'S ACCEPTABILITY. THE SPEECH CLOSES THE DOOR TO CONTINUING COMMUNIST CALLS FOR A "MAJORITY OF THE LEFT."

9. DESPITE SOME SKEPTICISM, REACTIONS TO THE SPEECH INDICATE THAT POLITICAL LEADERS HAVE TAKEN SOARES'S PROMISE OF INCREASED AUSTERITY SERIOUSLY. THE DEMOCRATIC OPPOSITION

PARTIES WERE, ON BALANCE, FAVORABLY IMPRESSED. ALTHOUGH
THEY, LIKE US, WOULD HAVE PREFERRED THE ANNOUNCEMENT OF
MORE SPECIFIC MEASURES, THEY SEEM TO REALIZE THAT POLITICS
REMAINS THE ART OF THE POSSIBLE.
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